



## Organic Trends in Personal Care

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Demonstrating their ability to shape categories with their market power, Whole Foods Market has once again stepped out in front of a complicated controversy. This time it's organic labeling on personal care products; a hotly debated issue since the USDA National Organic Program (NOP) first released organic standards in 2002. As of today the USDA does not enforce organic claims on personal care items as they do on food – in fact no regulatory agency has a clear mandate to oversee these organic claims, and unsubstantiated claims

can be found on many personal care products. Mike Stacy, the National Sales Manager for Dr. Bronner's Magic Soaps – one of the few brands to actually be certified by the NOP- likens the situation to "the wild, wild west."

This nine year debate is now showing signs of resolution due to the combined efforts of organic industry leaders like Whole Foods, the National Cooperative Grocers Association (NCGA), the Organic Trade Association (OTA), and others. For example, in order to continue placement on their shelves Whole Foods and other major retailers have recently set clear organic labeling guidelines for personal care items and have also established fixed timelines for brands to make any changes needed. In most cases, personal care products making an organic claim will have to be third party certified to NOP national standards in the same manner as food by June 2011. Products using the term organic on the principle display panel – even if organic is simply part of the brand name – will have to meet NOP certification requirements for >95% organic claims, as well as for Made with Organic claims with >70% organic content. In some cases brands that make a "Contains Organic" claim for individual ingredients will have to adhere to the new NSF/ANSI 305 Organic Personal Care standards.

OTA's Director of Development and Strategic Initiatives, Laura Stravino said the issue of unsubstantiated organic claims in personal care had begun to "cast a shadow over all of organic." Accordingly in 2009, OTA formed a task force and produced a white paper on the regulation and labeling of organic personal care products in preparation for surveying their membership. In April 2010, at the end of a thoughtful and deliberate process, the Board of Directors adopted a policy stating that "OTA supports mandatory public (federal government) regulation of organic labeling claims on personal care products," a first for the trade association. At this time, OTA urges certification to a third party standard for all organic personal care manufacturers.

The scope of the issue was clarified by OTA's 2009 white paper which quoted sources estimating that there are "well over 10,000 certified organic cosmetic ingredients and finished retail

products worldwide. At last count in the United States there were over 2500 brands that make some sort of an organic claim on a personal care product item.”<sup>1</sup>

The pressure for consistency in claims and enhanced regulation of organic labeling has the potential to realign the personal care sector of the industry in the next 12 months. As manufacturers race to redo their labels to meet the timelines of major retailers, and also to anticipate the outcome of regulatory discussions between NOP and the FDA, the brand leaders in the natural and organic Personal Care category may look quite different in the future than they do today. As Lynea Shultz-Ela, Owner and CEO of Natural Resource Consulting observed, “These factors could mean a wholesale change in the brand mix in organic Personal Care; for sure we will see a reduction in the variety of brands in the category and more focus on a powerful handful.”

Shultz- Ela traces the current demands for change back to confused and frustrated consumers. “Consumers are more aware than ever. They understand the concept of ‘body burden’ and the build-up of man-made chemicals in the blood stream from daily exposure to common products. Many consumers seek organic products to avoid additional chemical exposure – if they think an organic claim is just marketing copy they feel ripped off and demand answers from their local retailers.”

To be sure, many factors drive change in personal care, not just organic labeling. Jennifer Ellis, Vice President of Sales for Aura Cacia cites “performance, functionality and good sensory experience” as necessary elements for success in the category. “Organic personal care products need to perform; demanding and better informed consumers are looking for organic ingredients in personal care as an added benefit in order to limit exposure to certain types of chemicals. Retailers are acting as savvy gatekeepers of the category in the current consumer environment.” Jennifer also noted the difficulty of sourcing certain ingredients organically, such as surfactants, preservatives, and foaming agents. “But,” she added, “better performing organic ingredients are constantly evolving.”

In the face of so many success factors it may well be asked, what impact does the organic claim have on sales of personal care items? According to Mike Stacy of Dr. Bronner’s “Having third party certified organic claims has absolutely had a big impact on us. We’ve seen plus 20% year-over-year growth since we went organic. With the current media attention, all of our trade buyers in both natural and conventional outlets are asking well-informed questions about the organic labeling issue and demanding full disclosure. We applaud Whole Foods for leveling the playing field on organic claims in personal care.”

One important measure of the impact of organic claims in personal care can be found in the sales data tracked by SPINS, a market research and consulting firm for the Natural Products Industry. SPINS reports retail sales data of UPC-coded natural and organic products sold through natural

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<sup>1</sup> Organic Trade Association (OTA) Personal Care White Paper Task Force. 2009. *The Regulation and Labeling of Organic Personal Care Products: Issues and Policy Approaches*. Greenfield, MA: OTA. page 9

product supermarkets and conventional food, drug, and mass merchandisers (FDM). SPINS has tracked organic claims in both food and non-food categories for many years. In the Personal Care category SPINS tracks the following organic segments:

- ✓ 1-100% ORGANIC BODYCARE. This segment ensures SPINS captures all personal care products containing organic content as they come to market. It is used to code products that carry organic content claims in which SPINS is unable to verify the actual percentage of certified organic content.
- ✓ 1-69% ORGANIC CONTENT. Products that are verified to contain between 1-69% certified organic ingredients are coded here. For example, products with several certified organic ingredients in the ingredient list may be coded here.
- ✓ 70-94% ORGANIC CONTENT. The USDA does not regulate this claim on body care products. SPINS codes products as 70-94% ORGANIC CONTENT based on information collected from manufacturers.
- ✓ 100% ORGANIC CONTENT/95-99% ORGANIC CONTENT. These labeling claims must meet the USDA NOP standards. The organic ingredients must be certified by a USDA approved 3rd party certifying body such as QAI and meet all other labeling requirements of NOP.

The SPINS database gives us the following insights into the Personal Care category:

52 weeks September 4, 2010	NATURAL CHANNEL	CONVENTIONAL FDM
<b>Number of active brands<sup>2</sup></b>	989	383
<b>Some organic content</b>	38% of sales	26% of sales
<b>Organic in brand name</b>	40 (4%)	34 (8.9%)
<b>Top 50% of sales</b>	16 brands (1.6%)	7 brands (1.8%)
<b>Top 80% of sales</b>	73 brands (7.4%)	33 brands (8.6%)
<b>Largest brand</b>	4.4% of sales	20.2% of sales

The data shows that the Personal Care category remains a fragmented marketplace, although sales are concentrated in fewer brands through FDM outlets. In addition, on a percentage basis more brands use the term organic in the brand name in the conventional channel. The data says nothing about the actual number of products that use organic on the primary display panel, or otherwise use the term organic in their label copy.

Sales results for the Conventional Channel (FDM) show that personal care with some organic content represents about 26% of the total natural Personal Care category, but that this segment is growing exceptionally well, especially on a per unit basis. Product segments with some organic content grew faster than product segments with no organic content for each of the 4, 12 and 52 week periods ending September 4, 2010. For the 52 week period ending September 4, 2010 products with NOP organic levels (> 70%, 95-99% and 100%) and SPINS designations of 1-100% Organic Body Care and 1-69% Organic Content, achieved impressive growth rates on both a dollar and a per unit basis, outpacing the overall category.

<sup>2</sup> Brands with sales in current 4 weeks end September 4, 2010

Conventional Channel	Current 52 Weeks Ending 4 WEEKS ENDING 09/04/10						
Body Care Organic Content	Current Dollars	Year Ago Dollars	\$ % Chg	% of total	Current Units	Year Ago Units	Unit % Change (Vs Year Ago)
NO ORGANIC CONTENT	\$388,054,485	\$383,090,511	1.3%	73.7%	75,439,834	74,003,860	1.9%
ORGANIC BODY CARE 1-100%	\$82,344,990	\$74,912,614	9.9%	15.6%	11,850,993	10,232,905	15.8%
ORGANIC CONTENT 1-69%	\$35,711,422	\$28,522,942	25.2%	6.8%	5,150,068	3,190,554	61.4%
ORGANIC CONTENT 70-94%	\$15,191,077	\$14,030,962	8.3%	2.9%	2,046,357	1,858,895	10.1%
ORGANIC CONTENT 95-99%	\$4,677,203	\$3,093,816	51.2%	0.9%	1,612,133	887,596	81.6%
100% ORGANIC CONTENT	\$309,996	\$243,714	27.2%	0.1%	30,412	23,860	27.5%
<b>TOTAL US - FDM CHANNEL</b>	<b>\$526,289,172</b>	<b>\$503,933,891</b>	<b>4.4%</b>	<b>100.0%</b>	<b>96,129,797</b>	<b>90,205,959</b>	<b>6.6%</b>

Data from the Natural Channel Personal Care category show that brands with some organic content represents about 38% of the total. Product segments with some organic content did not always grow faster than product segments without any organic content; however, those segments with validated organic content and greater consistency with NOP standards (NOP >70%, 95-99% and 100%), showed higher growth rates on both a dollar and per unit basis for the 52 week period ending September 4, 2010. In fact, the dollar and unit change for validated organic content segments exceeded the overall category growth rate, and exceeded the growth rate for products without any organic content, for each of the 4, 12 and 52 week periods ending September 4, 2010.

Natural Channel	Current 52 Weeks Ending 4Wks End 2010-Sep-04						
Body Care Organic Content	Current Dollars	Year Ago Dollars	\$ % Chg	% total Sales	Current Units	Year Ago Units	Unit % Change (Vs Year Ago)
NO ORGANIC CONTENT	\$181,768,388	\$171,930,966	5.7%	61.8%	27,824,167	26,815,748	3.8%
ORGANIC BODY CARE 1-100%	\$57,217,111	\$54,651,079	4.7%	19.4%	6,100,442	5,919,161	3.1%
ORGANIC CONTENT 1-69%	\$27,195,133	\$26,482,854	2.7%	9.2%	3,163,664	3,108,242	1.8%
ORGANIC CONTENT 70-94%	\$22,077,956	\$20,692,826	6.7%	7.5%	2,926,680	2,771,305	5.6%
ORGANIC CONTENT 95-99%	\$3,443,290	\$2,956,277	16.5%	1.2%	542,369	486,078	11.6%
100% ORGANIC CONTENT	\$2,499,132	\$1,821,817	37.2%	0.8%	227,966	158,818	43.5%
<b>Total US - Natural Channel</b>	<b>\$294,201,009</b>	<b>\$278,535,818</b>	<b>5.6%</b>	<b>100.0%</b>	<b>40,785,289</b>	<b>39,259,352</b>	<b>3.9%</b>

In conclusion:

The organic Personal Care category is undergoing profound change and the sector will be reshaping over the next 12 months. Indeed, the current retailer and regulatory upheaval may well realign this segment of the industry. Over time, greater consistency in organic labeling of personal care items should result in less consumer confusion and frustration due to unsubstantiated organic claims.

Although the outcome is still in flux, it does appear that products with certified organic claims and products that adhere to NOP standards are experiencing robust growth and gaining market share in today's retail environment.

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#### *Sidebar*

Links to other articles and web sites that give a more complete picture of the issues and controversies in organic personal care are listed below.

The National Organic Standards Board Certification (NOSB) Accreditation, and Compliance Committee, made a recommendation on personal care “Solving the Problem of Mislabeled Organic Personal Care Products” which passed the NOSB in November 2009, and is available on their web site at:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5079488&acct=nosb>

The Organic Consumer’s Association’s June 15, 2010 letter to NOP provides a history of USDA’s positions since 2002 on the organic labeling of personal care, as well as a summary of the arguments in favor of NOP rulemaking:

<http://www.organicconsumers.org/bodycare/documents/6-15-10LtrtoNOPPreregpersonalcare.pdf>

OTA’s position on the labeling and regulation of organic personal care items is available on their web site at: <http://www.ota.com/standards/newstandards.html>.

An excellent summary on the current state of organic personal care was published in the September/October 2010 issue of Organic Processing Magazine in an article entitled “No Cover Up Needed: Aubrey Organics Brings Out the Personal Care Industry’s Natural, Authentic Beauty” by Kat Schuett. Available at

<http://www.organicprocessing-digital.com/organicprocessing/20100910#pg46>